



# Washington State Auditor's Office

## Special Education Program Audit 2000 Summary Report



Washington  
***State Auditor***  
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**State Auditor's Office  
Mission Statement**

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## **Executive Summary**

### **Special Education Program Audit Annual Summary Report For audits performed between September 1999 and June 2000**

#### **Audit Purpose:**

These audits were carried out in compliance with the Legislative directive to identify baselines for special education costs. The purpose of these baselines, or benchmarks, is to assist the Special Education Safety Net Oversight Committee in making decisions regarding the distribution of \$12 million in state funds and \$5.5 million in federal funds to applicant districts.

#### **Audit Coverage:**

Ten districts serving between 400 and 3,000 special education students were audited. Approximately nine percent of the state's special education students attend school in these districts.

#### **Audit Areas Examined:**

- Individualized education programs (IEPs) and evaluations were reviewed to determine the degree of academic delay and the amount of special education instruction time for each student. The audits were designed around the hypothesis that greater academic delay results in a greater amount of special education instruction time.
- Common errors in special education were examined. Internal controls were reviewed to ensure that districts complied with special education regulations and requirements. Student evaluations and individualized education programs were reviewed to determine whether the IEP addressed the needs identified in the most current evaluation, if the file indicated that the student received specially designed instruction, and whether the evaluation documented the student's need for special education services. In addition, IEPs and evaluations were reviewed for timeliness and reporting accuracy as required by state and federal law.
- Areas of service delivery in special education were examined. IEPs, evaluations, and other available materials were reviewed to gain an understanding of district programs. Administrators and special education teachers were interviewed concerning the operations of these programs.
- Accounting practices in special education were examined. District financial officers were interviewed and documents were reviewed to gain an understanding of special education accounting practices. Special education revenues and expenditures were reviewed to determine if districts' accounting met the excess cost accounting methodology defined in the *School District Accounting Manual*.

## **Conclusions:**

- The hypothesis that greater academic delay results in a greater amount of special education instruction time was not supported by the data. Eighty-six percent of the variation in special education instruction time provided to special education students among the audited districts was driven by factors other than students' academic delays. (See Benchmarks, pages 8-13)
- Most students counted for special education funding had timely evaluations and IEPs. However, in some cases, students were counted when evaluations and IEPs were not completed in a timely manner, resulting in districts being overpaid by the state. The audit team also noted some instances in which students were appropriately removed from monthly counts when evaluations and IEPs were not completed in a timely manner. This resulted in lost opportunities for districts to obtain funding for students for whom the districts were providing services. (See Common Errors, page 17)
- Eighty percent of evaluations or IEPs were properly prepared. Inconsistencies were noted in approximately 20 percent of evaluations or IEPs, representing all 10 districts audited in 1999-2000. In summary:
  - Eighty-three percent of student IEPs reflected the recommendations on the evaluation. Seventeen percent of student IEPs did not reflect the evaluation. (See Common Errors, pages 14-15)
  - Ninety-five percent of student IEPs contained evidence that the program provided met the criteria for specially designed instruction. Five percent of student IEPs did not show that the program met the criteria for specially designed instruction. (See Common Errors, pages 15-16)
  - Ninety-nine percent of evaluations documented the need for special education. One percent of the evaluations did not document the student's need for special education. (See Common Errors, pages 16-17)
- The districts audited this year appear to use a variety of methods of excess cost accounting based on their understanding of the *School District Accounting Manual*. This made it difficult to draw conclusions based on comparisons of cost data among the 10 districts. (See Common Errors, pages 17-18)

## Background

In 1995, the Legislature revised the state special education funding formula to incorporate three significant changes:

- An excess cost funding system that pays districts only the cost of a student's special education above the cost of basic education.
- Establishment of a 12.7 percent (of total district enrollment) index of eligible special education enrollment per district.
- A single allocation of funds per student without regard to a student's disability.

Lawmakers set aside state and federal funds to assist school districts that demonstrated financial or program needs not met through the funding formula. The State Special Education Oversight Committee was created to oversee and distribute these safety net funds.

The State Auditor's Office was directed to audit special education programs in school districts that exhibit unusual rates of growth, extraordinarily high costs, or other characteristics requiring the attention of the Oversight Committee. In 1998, the Legislature expanded this directive to include audits of other school districts for the purpose of establishing a baseline for special education program costs. In addition, the Legislature directed the Auditor's Office to report common errors found among districts audited.

The special education audit team includes specialists in the field of special education as well as auditors with education and experience in auditing and management. The audits were conducted in accordance with legislative directives, auditors' independent evaluations, and federal auditing standards.

The audit team has completed its fourth year of special education program audits. During this past year, 10 districts were audited, representing approximately nine percent of the state's special education students. The audits focused on districts with special education enrollments that ranged from 400 to 3,000 students. Districts were selected for audit to reflect a variety of per pupil special education expenditure levels, falling above, at, or below the state average. The 10 districts were paired based on number of special education students for purposes of comparing per pupil expenditures, student demographics, special education programs, and staffing ratios. The districts selected were Arlington, Cheney, Highline, Kelso, Mead, Pasco, Peninsula, Snoqualmie Valley, Tumwater, and Vancouver.

The audits attempted to determine why some districts operate within special education revenues received from the state and why others supplement these funds with money from other sources. Information was gathered about whether these differences were a result of program decisions, staffing decisions, accounting practices, or other factors. This information should help establish a baseline for special education costs.

## **Audit Approach**

For each audit, the audit team reviewed special education student files to determine if any common errors regarding state regulations were present. Five percent of each district's special education files were reviewed. The evaluation for each student selected was analyzed. The team sought to verify whether the districts established an individual education program (IEP) for each student based on their evaluations, whether the districts were providing specially designed instruction as required, and if the evaluation documented the student's need for special education services.

IEPs and evaluations were reviewed to determine the degree of academic delay and the amount of special education instruction time for each student. The audits were designed around the hypothesis that greater student academic delay results in a greater amount of special education instruction time.

As part of the audits, districts' administrators, special education teachers and other service providers were interviewed. The team asked about their participation in evaluation, preparation of IEPs, the use of written plans to deliver specially designed instruction, caseloads, and the use of classified staff.

The audit team also reviewed internal controls to determine if districts complied with special education regulations and requirements. The audits focused on controls designed to ensure that districts meet special education timelines for student evaluations and IEPs. The audits also examined whether districts properly limited monthly enrollment counts to only students with current IEPs and evaluations, which would result in lost revenue.

Finally, the audit team reviewed districts' special education revenue and expenditures in terms of excess costs as defined in the *School District Accounting Manual*, as a way to ensure that districts comply with state laws and regulations. Districts receive state special education revenues to use for the excess cost of providing appropriate education to special education students. Auditors reviewed and compared program revenues and expenditures to determine if revenues were sufficient to meet excess costs of special education.

## **Program Audit Objectives**

The audit work was designed to:

- Determine the degree to which measured student characteristics influence local service delivery options.
- Identify common errors in the identification of and service to special education students.
- Determine if Program 21 special education expenditures reflect excess costs as described in the *School District Accounting Manual*.
- Determine what revenue sources are properly obtained for and spent on special education programs.
- Identify elements of special education programs that could be considered for use by other districts.

## Benchmarks

### Introduction

The Special Education Safety Net Oversight Committee has \$17.5 million each year in state and federal funds that are available to districts that demonstrate a need for additional funding to provide special education programs to eligible students. The special education audit team is attempting to identify cost benchmarks to assist the Oversight Committee in determining if a district requires extra funding to provide special education to its students.

Benchmarks will attempt to separate local district decisions regarding staffing levels, service delivery systems, and district philosophy from costs driven solely by the needs of eligible special education students.

A major purpose of the audits was to identify what drives the cost of special education. Districts with 400 to 3,000 special education students were selected for audit based on special education per pupil expenditures above, below, or close to the state average. The audits generally focused on identifying the causes of these variances. The 10 audited districts were placed in pairs based on special education population for the purpose of comparing expenditures, degree of academic delay, amount of special education instruction time provided to students, and teacher workload. (See Appendix A for program comparisons).

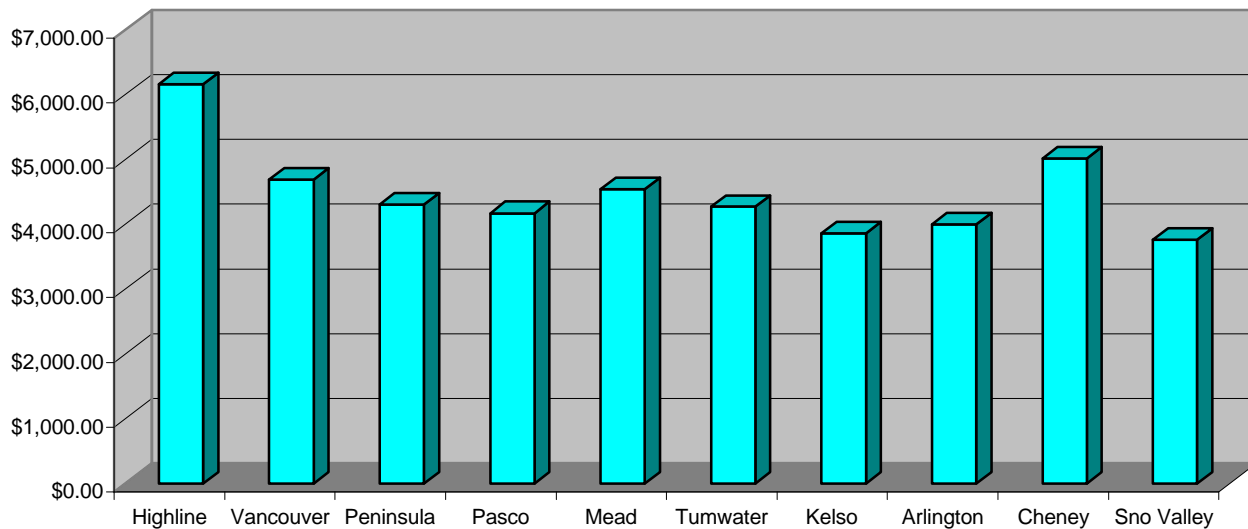
### Per Pupil Expenditures

The audit team's interviews and observations of each district's program took place between September 1999 and June 2000. Therefore, fiscal year 1999-2000 data has been used in this analysis.

Graph 1.1 shows the range of budgeted per pupil expenditures in Program 21 (state funded special education program) and Program 24 (federally funded special education programs) for the 10 districts audited. Per pupil expenditures in the audited districts ranged from \$3,759 to \$6,158.



(Graph 1.1) Special education per pupil expenditures, programs 21 and 24, 1999-2000.



### Student Academic Delay and Special Education Instruction Time

As a part of this year's audit, the team collected data on the severity of student academic delay in each district in an attempt to determine if the amount of specially designed instruction provided to students is related to the students' academic delay. The audits were designed around the hypothesis that greater student academic delay results in a greater amount of special education instruction time.

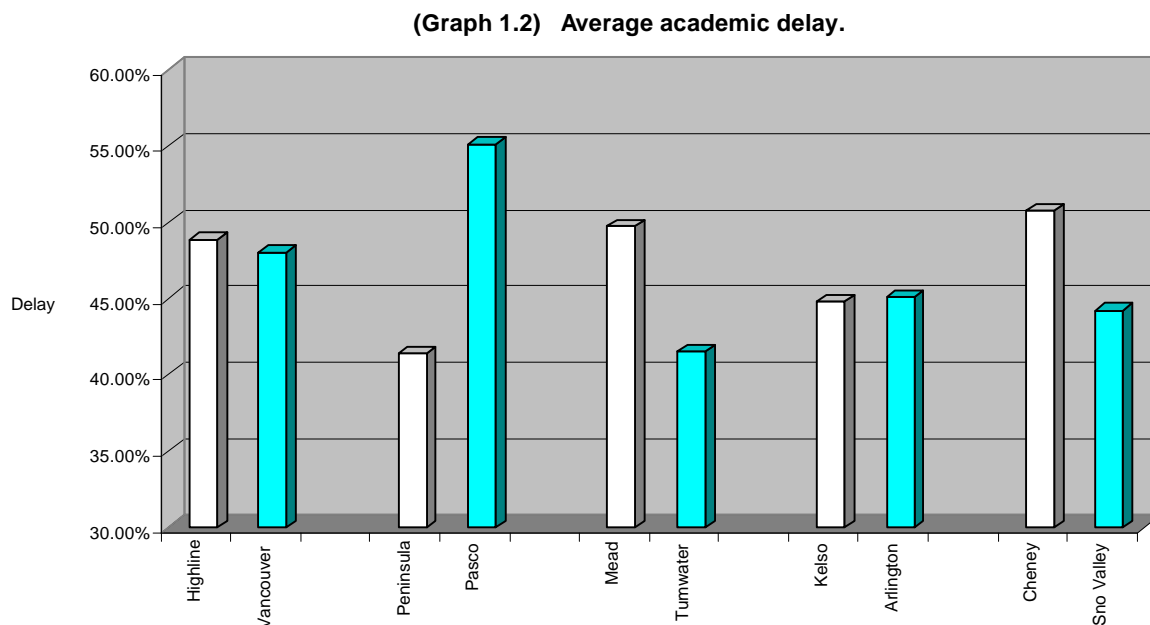
A random sample of 25 percent of the districts' special education files was examined to determine amount of specially designed instruction and measured grade level functioning in reading, mathematics, and written language. Grade equivalent scores in reading, mathematics, and written language were taken from the student's most current evaluation. The amount of specially designed instruction and related services, in minutes per week, was determined by the student's current IEP.

Only files that contained grade equivalent scores on the evaluation, a total of 1,891 students in the 10 districts combined, were included in this analysis.

#### Degree of Academic Delay

The degree of academic delay for each student was determined by dividing the months of measured academic grade level by the number of months the student was in school, based on what grade the student was in when he or she was evaluated. For example, a student beginning second grade has had 18 months (nine months per school year, including kindergarten) of classroom time. If that student was assessed to be functioning at a first grade level (nine months), that student would be 50 percent delayed. The average academic delay in the 10-district sample was 47.3 percent.

When examining the individual districts, the highest degree of average academic delay, 55.1 percent, was found in the Pasco School District. The lowest degree of academic delay, 41.4 percent, was found in the Peninsula School District. The comparison between the 10 districts can be seen on Graph 1.2. Districts are shown in pairs with the higher per pupil expenditure district first.

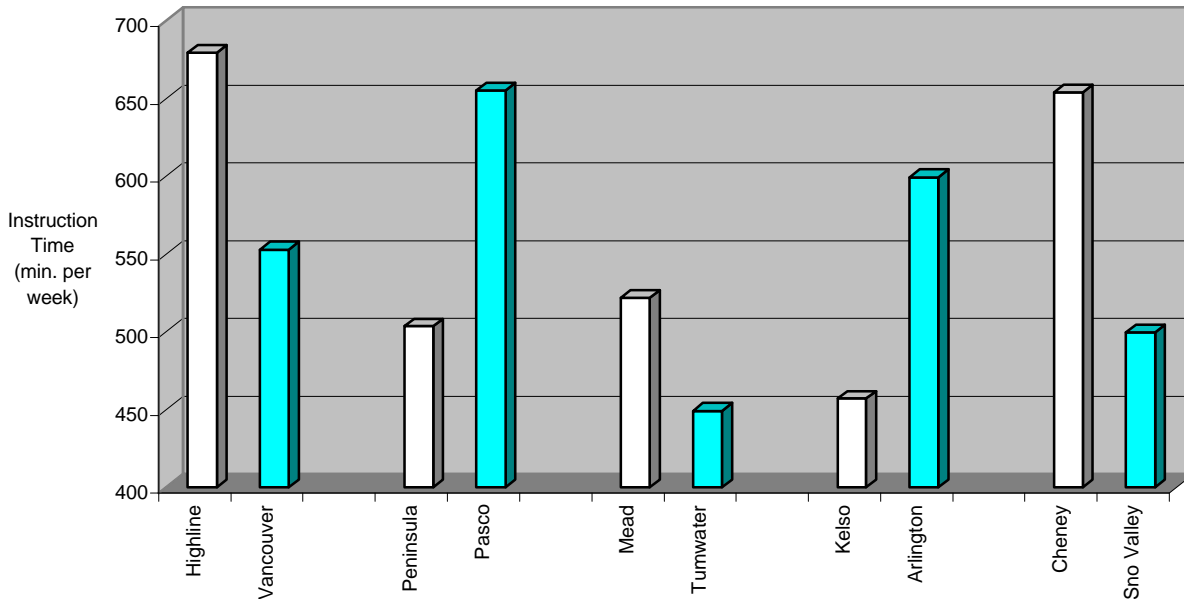


### Amount of special education instruction time

The amount of special education instruction time, in minutes per week, was taken from each student's current IEP. Related services such as speech or occupational therapy were not included in this analysis. The average special education instruction time for the 10 districts was 570 minutes per week.

When examining each individual district, the highest average amount of instruction time was provided in Highline School District, nearly 680 minutes per week. The lowest average amount of instruction time was provided in Tumwater School District, 449 minutes per week. The comparison between the districts is shown on Graph 1.3.

(Graph 1.3) Average special education instruction time.

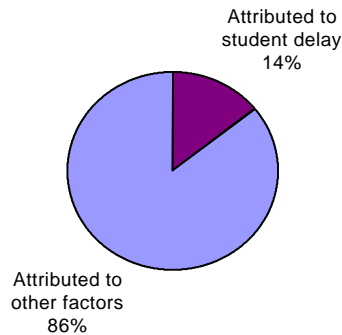


Relationship between special education instruction time and educational delay

Calculations<sup>1</sup> indicate that, in the 10-district sample, approximately 14 percent of the variation in instruction time for the average student in this sample could be attributed to the degree of educational delay measured at the time of evaluation. These calculations did not support the hypothesis that greater student academic delay results in a greater amount of special education instruction time. The remaining 86 percent of special education time is assumed to be attributable to factors other than the student's measured academic delay. These factors might include: district decisions regarding the staffing of special education programs; differences in workloads of special education personnel through negotiated agreements or other means; cooperative, contractual, or other service delivery differences; and behavioral or other needs of students.

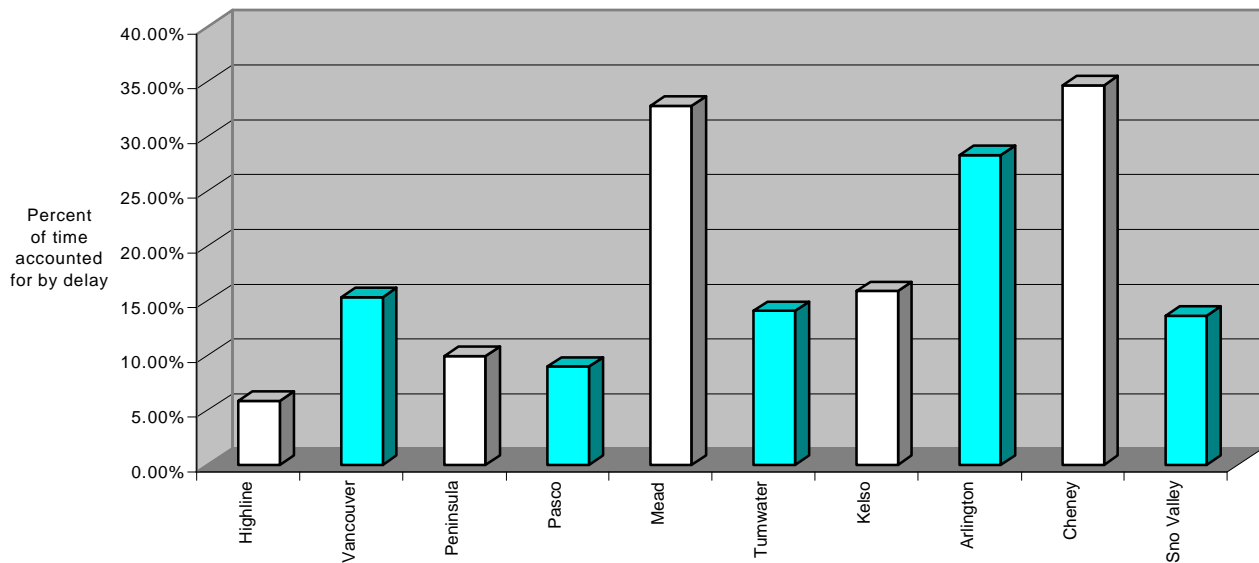
<sup>1</sup> The coefficient of correlation ( $R$ ) between the degree of academic delay and amount of special education instruction time was 0.377. The cost of special education per student is based upon the amount of time a student spends in special education. Therefore, the relationship between the special education costs of each student and the degree of educational delay also results in a coefficient of correlation of 0.377. The coefficient of correlation was squared to display the coefficient of determination. The coefficient of determination ( $R^2$ ) shows the percent of the variation in special education costs that can be accounted for by the degree of academic delay.

**(Chart 1.1) Percent of instruction time attributed to student delay.**



Cheney School District seems to have the strongest relationship between special education instruction time and degree of academic delay, 34.7 percent. Highline School District appears to have the lowest, at 5.8 percent. The relationship between special education instruction time and degree of students' academic delay for all 10 districts is shown on Graph 1.4.

**(Graph 1.4) Percent of special education time accounted for by delay.**

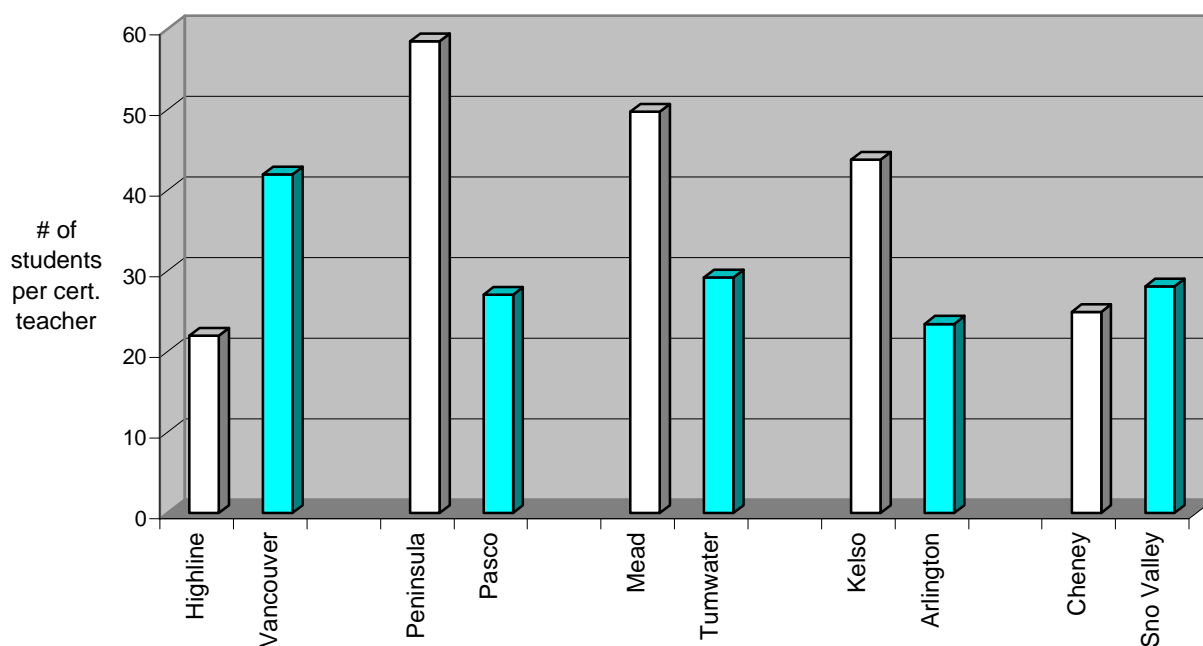


## Teacher Workload (Students Per Certificated Teacher)

Certificated teacher workload was determined by dividing the total number of special education students enrolled in each district by the number of full-time equivalent staff.

When examining individual districts, the highest certificated special education teacher workload was found in Peninsula School District, which had 59 students per certificated teacher. The lowest certificated teacher workload was found in Highline School District, with 22 students per teacher. Certificated teacher workload for all 10 districts is shown on Graph 1.5. Only employees charged to programs 21 and 24 (special education) were used in these calculations. The districts' methods of distributing teacher's salaries could influence these calculations.

(Graph 1.5) Number of students per certified teacher.



## Benchmark Conclusions

Based upon the results of the 10 districts audited, the following conclusions could be made (See Appendix A for a summary of all 10 districts):

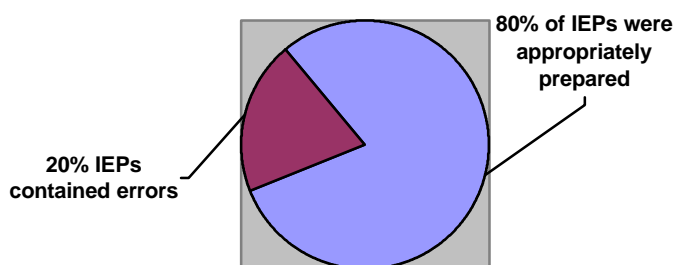
- Variations in special education instruction are not driven primarily by the degree of academic delay. Eighty-six percent of the variation in special education instruction time is driven by factors other than students' academic functioning.

- While individual student scores did not show a high correlation to the time in program, when aggregate scores are reviewed districts whose students have a greater average academic delay than their matched district also provide more instruction time. This occurs in all five district pairings.
- Higher per pupil expenditure districts do not necessarily have a greater average academic delay or provide more instruction time than their matched district.
- Districts with higher per pupil expenditures do not necessarily have lower teacher workloads than their lower expenditure matched district. Districts with lower teacher workloads provide a greater amount of instruction time in four of the five matched pairs. However, it should be noted that accounting differences in the way districts report teachers and other special education staff in Programs 21 and 24 have an influence on these workload comparisons.

## Common Errors

The state's total special education eight-month enrollment average for the 1999-2000 school year was 118,106 students. The 10 districts audited this year represented approximately nine percent of the state's special education population (10,932 special education students). In those 10 districts, 547 files were reviewed to determine whether IEPs and evaluations were properly prepared and reported. Files should document the student's need for special education. In addition, the IEP, including goals and objectives, should reflect the issues noted in the evaluation. Finally, the program described must provide specially designed instruction. The review found that 80 percent of the files were appropriate and properly prepared and reported (435 of 547 student files). The remaining 20 percent contained inconsistencies. Chart 2.1 shows this breakdown.

(Chart 2.1) Percent of IEPs appropriately prepared.



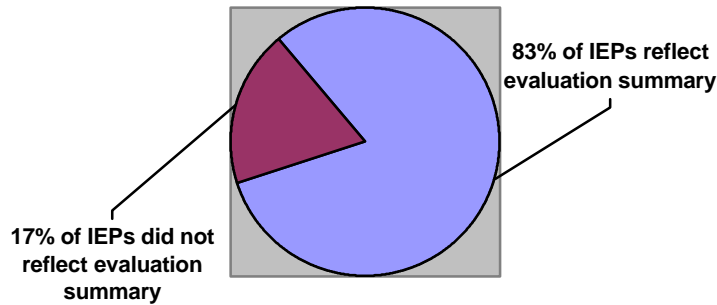
In the 10 districts audited, inconsistencies were noted in one or more of the following areas:

- The IEP's reflection of the issues noted in the evaluation.
- Specially designed instruction.
- Documentation of the student's need for special education.

### **Was the IEP, including goals and objectives, reflective of the evaluation summary analysis?**

IEP goals and objectives should reflect the recommended areas identified in the evaluation. Although most IEPs addressed the areas recommended in the evaluation (452 of 547 student files), errors were noted in the 10 districts reviewed and ranged from 5 percent to 26 percent of the files reviewed for each district, averaging roughly 17 percent. In each district, this included students who were not provided service in recommended areas and students who received services in areas that were not recommended on the evaluation summary.

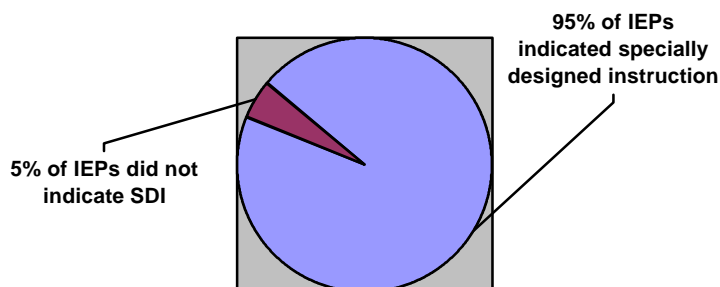
(Chart 2.2) Percent of IEPs that reflect evaluation summary.



### **Was the program described specially designed instruction?**

In eight of the 10 districts audited, some files lacked evidence that the program described on the IEP was specially designed instruction (SDI). Depending on the district, SDI occurred for 86 percent to 100 percent of students, with an average of 95 percent (520 of 547 student files) among all 10 districts. In some cases where SDI was not evident, students were provided services that were not specially designed. In other cases, students were provided routine accommodations that could not be characterized as specially designed instruction required by enrollment in a special education program.

(Chart 2.3) Percent of IEPs that indicated specially designed instruction.



While most files indicated that the program described was specially designed instruction, the following practices were identified and documented as common issues:

- Six of the 10 districts had student files documenting monitoring for special education students. Students are observed for success in the general education classroom or are provided instruction on a random, intermittent, or as-needed basis. When such



monitoring or consulting is the only service provided, the student has not received specially designed instruction.

- Six of the 10 districts had some student files that provided goals and objectives indicating only modifications or accommodations to general education. Examples include passing classes, meeting graduation requirements, work completion, additional time for test-taking, and maintaining a notebook for organization.
- Four of the 10 districts had study skills programs that did not appear to provide specially designed instruction. In these cases, the study skills programs focused on homework completion that was not regularly scheduled, and/or depended on the student to request assistance in order to receive individual instruction. When this type of study skills program is the only service provided, the student has not received specially designed instruction.
- One of the 10 districts documented the amount of instruction time on some IEPs as a range. According to special education requirements, specially designed instruction shall be expressed in specific time, not as a range.

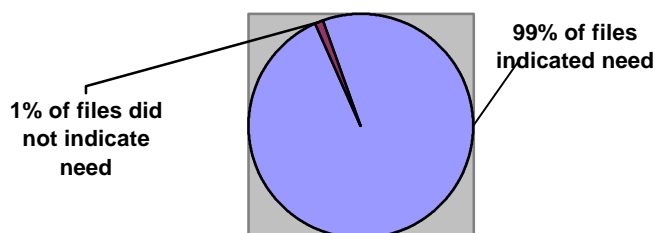
When these students are not receiving specially designed instruction through additional services, students may be inappropriately counted as receiving special education services.

### **Was the need for special education documented?**

Nearly 99 percent of student files (540 of 547) contained sufficient documentation of the student's need for special education. Four of the 10 districts had files that did not sufficiently document the student's need for special education, ranging from less than one percent to nearly seven percent of the files reviewed. The following issues were identified in these four districts:

- Recommendations on the evaluation stated students were to receive consultation and/or monitoring by special education service on an "as needed" basis.
- Recommendations on the evaluation stated that student needed only accommodations or modifications in general education.
- Specific recommendations were not evident on the student's evaluation.

(Chart 2.4) Percent of files that indicated need.



### **Did districts correctly report students on special education enrollment counts?**

Districts are required to report the number of special education students monthly. The audits reviewed each district's counts for the 1998-99 fiscal year and the portion of the 1999-00 fiscal year up to the time of the audit team's fieldwork. The error rate for untimely IEPs and evaluations varied from no errors to two percent among the 10 districts, averaging roughly one percent<sup>2</sup>. In 1998-99, three of the 10 districts audited counted some students who did not have a current evaluation or IEP. In 1999-00, four of the 10 districts incorrectly counted some students. As a result the districts received state and/or federal funding for students who should have been excluded from the count.

However, districts that appropriately removed students from enrollment reports due to untimely IEPs or evaluations did not receive funding for these students. This results in a loss of revenues for students who are still being provided special education instruction by the school district. It appears that seven of the 10 districts audited this year were correctly removing some students who were not eligible for services, resulting in lost revenue for the district. This was not evident in the remaining three districts because they did not have any untimely IEPs or evaluations, and therefore did not need to remove students from their monthly count.

### **Did districts follow prescribed accounting practices?**

Accounting guidelines require districts to record only those expenditures for special education that exceed the amount needed to provide a basic education to those students. This concept is referred to as the "excess cost" model. During the audit period, excess cost accounting as defined in the *School District Accounting Manual* allowed for a wide range of accounting practices. Given the lack of well-defined criteria for excess cost accounting, evaluation of the districts' accounting methodology was not possible.

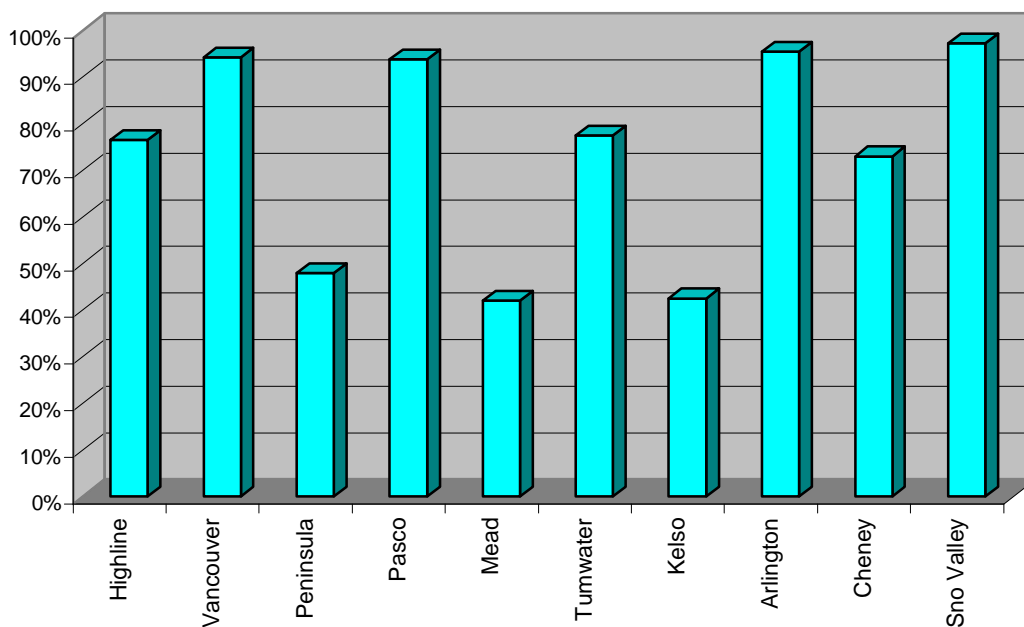
Officials in all districts stated they found it difficult to determine how costs should be allocated between basic and special education. In addition, districts stated they believed they were

<sup>2</sup> The error rate in the file sample for Pasco School District was a pervasive issue, so the District was referred to the K-12 Audit Resolution Team for further study. Count errors for Pasco School District were not included in these calculations.

restricted from moving completely to the excess cost basis of accounting by federal regulations requiring districts to maintain their special education effort.

Graph 2.1 shows the percentages of certificated instructional staff salaries reported on the October 1, 1999 personnel report. These percentages include special education staff with assignments as elementary, secondary, or "other" teachers. The personnel report for each district was scanned to identify individuals whose time is charged to federal and state special education programs. The percentage charged to these programs was identified, and an average percentage calculated for the district.

**(Graph 2.1) Average percentage of special education instructional certificated staff charged as excess cost, Programs 21 and 24, 1998-99.**



Characteristic	Highline	Vancouver	Peninsula	Pasco	Mead	Tumwater	Kelso	Arlington	Cheney	Sno Valley
Per pupil expenditures in paired districts	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower
Average academic delay	48.9%	48.1%	41.4%	55.1%	49.8%	41.5%	44.8%	45.1%	50.8%	44.2%
Instruction time (min. per week)	680	553	504	655	522	449	457	599	654	499
% of instr. time accounted for by delay	5.8%	15.3%	10.0%	9.0%	32.8%	14.1%	15.9%	28.3%	34.7%	13.6%
% of students 80-100% in general ed. (LRE tables)	30.0%	54.4%	50.8%	11.4%	80.8%	59.2%	70.8%	43.3%	44.4%	67.4%
% of students 40-79% of time in general ed. (LRE tables)	48.0%	30.8%	33.3%	69.1%	9.1%	36.4%	17.1%	45.2%	48.0%	26.8%
% of students less than 39% of time in general ed. (LRE tables)	21.7%	12.2%	15.7%	19.4%	8.2%	4.4%	11.6%	9.3%	7.6%	4.6%
Teacher workload (students per FTE)	22	42	59	27	50	29	44	23	25	28
Administrative workload (students per FTE)	0	799	885	723	472	566	667	1,163	1,048	982
Speech/Lang. Pathologist (SLP) workloads (students per FTE)	174	148	125	0	94	172	128	291	102	221
Psychologist workload (students per FTE)	162	138	206	0	183	208	135	0	175	253
Instructional aides workload (students per FTE)	28	31	26	40	25	262	23	38	36	42